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A Series of Articles Surveying Economic, Financial and Industrial Conditions in the Dual Monarchy During the War.

With a Special Introduction by R. L. Orchelle.

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INTRODUCTION

One of the greatest and most conspicuous surprises in this war of many surprises is the astounding economic and financial strength developed by the Dual Monarchy. This is entirely worthy of the equally amazing military power and unity shown by all the peoples of Austria-Hungary. It is a revelation which comes with a chilling and dismaying force to the enemies of the Central Nations and serves, on the other hand, to fortify and redouble the inner strength and powers of resistance of all the united nations comprised within the limits of the Danubian Realm. It is a power which may well surprise even themselves, and recalls forcibly to mind the ancient fable of the bundle of rods which, when united, no force could break.

The enemies of Austria-Hungary at the beginning of the war indulged in much wild talk of the inner weaknesses of the monarchy, of the discord within the empire and the dissensions between the various elements. "The ramshackle empire" was one of their favorite expressions. With that peculiar and deadly fatuity which had led them to make almost every move in gross ignorance of their opponents, and in stupid underestimation of their nature and powers, they committed a fatal blunder when, belittling a brave and valiant nation fighting for its existence and its liberties, they failed to perceive that the very age of the venerable sovereign would only serve to bind his loyal subjects still more closely to him. Little as was known of the real Germany, still less was known

of the real Austria-Hungary. This unbelievable ignorance extended so far that English officials were accustomed to ask Austrians in England whether they spoke "Austrian!" Two great nations, each with a glorious military and historical record, and representing many of the highest phases of modern civilization, were merely so much *terra incognita* to the gigantic blunderers who miscalculated every move in the infamous plot they had contrived.

I have been reading through the translations made of certain articles dealing with the economic, industrial and financial conditions of Austria-Hungary during the war and now embodied in this pamphlet. These papers have all been written by men who are experts and authorities in their particular branches and may be considered as in every way authentic and authoritative. They reveal a picture of innate confidence, of well-husbanded resources and of excellent organization which will continue to furnish the sinews of war, and to strengthen the arm of the warrior until such time as the enemies of the Central Powers rid themselves finally of their monstrous delusions and realize, however late in the day, the futility of their impossible dreams.

Austria-Hungary in a still greater degree than Germany has remained an agrarian state, despite its great industrial development. It has natural resources and supplies such as render it practically self-supporting. Its population is sturdy, frugal and industrious. It is a population imbued with that heroic sense of self-sacrificial devotion which does not hesitate to offer up its last man or its last coin in a cause in which its faith is fixed as rigidly as though it were some religion. Each successive Austrian and Hungarian War Loan has attested this fact with millions of tongues of silver and gold. A land such as this, a people such as this cannot be conquered nor starved, nor riven apart either from within or from without.

One of the most momentous features of the present war is the work of construction, reconstruction and fresh creation undertaken

by the Central Powers in the very midst of a struggle in which their enemies are bent ragingly upon ruining, "crushing" and devastating two great, highly-developed and prosperous nations. But this insane attempt has merely given a new strength and, best of all, a new direction to the Central Powers and their logical and valuable allies—Turkey and Bulgaria. An economic, industrial and financial alliance has been created which will send new life-currents of Trade and Commerce throbbing along the great trade-routes that already unite these lands in the bond of a vital organism.

One of the fruits of the war will be this closer commercial alliance between Germany, Austria-Hungary, Bulgaria and Turkey. The two latter states will be enabled to develop their vast and priceless natural resources, and the influence of this will be felt throughout the entire Balkans and extend up to the North Sea and the Scandinavian lands. One of the great highways of civilisation is being built before our very eyes. The new road to the Orient is being paved—a road of iron and gold and the bodies of brave men. It is the new Appian Way along which shall be heard the clanging tread of new empires and of reinforced and rejuvenated states.

R. L. ORCHELLE

AUSTRO-HUNGARIAN LABOR CONDITIONS DURING THE WAR.

The conviction prevails in all the national-economic and commercial circles of Austria-Hungary, that in spite of the enormous disturbance in all markets caused by the war, the re-establishment of normal mercantile conditions will progress with gigantic strides as soon as peace is declared. This conviction is based upon the fact that the internal commerce of Austria-Hungary is established on a genuine and solid foundation, and the organization of credit, of industry and of agrarian production has stood the test of the war with magnificent results. The "starving-out policy" which England thought to enforce by a naval blockade has already gone to pieces after a few months trial. The supplies of grain and flour were calculated and economised, and all classes accomodated themselves to the changed conditions. The tilling of the fields was accomplished by women and children and by prisoners of war, since the men, for the most part, were already at the front. Large tracts of waste land were put under cultivation. In spite of the unfavorable weather in the harvest months and in spite of the lack of those foreign supplies which had hitherto contributed to the necessary total, the Austrian-Hungarian harvest provided sufficient supplies for everyone. This was in a large measure due to the precautions taken to ensure a proper division of the total quantity of grain, etc.

The number of cattle and horses available has naturally been much diminished by the needs of the war. This diminution, however, is not serious, and a certain outlay of capital after the war will set matters right without any further trouble.

As regards the upsetting of the money market caused by the war, it may be noted that, in spite of the victories on all fronts, the Dual Monarchy is conducting the war at far less expense than its opponents are able to do.

Still more of a decisive factor is the fact that the money which we expend for war purposes remains almost entirely within our own land, from which home industry and agriculture profit. We are not

forced to pay gigantic sums to America or Japan for wheat or munitions, we are not forced to send humiliating financial missions across the seas in order to beg for scanty foreign loans. We conduct the war exclusively with the financial resources of our own country and employ therewith the labor forces of our own people. In this lies one of the chief roots of our future recuperation.

A contributory factor to this result was that, in Austria-Hungary as in other quarters of the world, the people had experienced a growing period of prosperity during the decade immediately previous to the war. Whereas in the Eighties the total wealth of the people of the Dual Monarchy was estimated at 90 Milliards, in the days just before the war, it was estimated at 135 Milliards: an increase of 50 percent. The average yearly value of the Savings-bank deposits in the years 1885-1889 amounted in Austria alone, without Hungary, to 110 million Kronen, in the years 1900-1914 it amounted to 225 million Kronen. The total increase of capital during the war is also not entirely at a standstill. This is accounted for by the issue of the great War Loans and the increase in deposits.

The strength displayed by the Austrian-Hungarian industries in war-time is especially noteworthy. We give some statistical data from important branches of industry and from some individual firms, as examples.

	Raw iron Production of our 4 f largest smelting-works	Coal production during 10 Months	A large Bohemian Machine Works Turnover in millions of crowns	Number of Workmen in Brun Leather-Trade in October
	In Thousands of Tons			
1914:	12 567	12 937	21	5 000
1915:	14 087	13 335	$24^1/_2$	5 500
against 1914:	+ 1 520	+ 398	+ $3^1/_2$	+ 500
Percent gain:	+ 12	+ 3.1	+ 16	+ 10

The Austrian iron industry has attained to the maximum figures during times of peace. The coal-mines are somewhat handicapped not only by lack of proper skilled labor, but also for want of railway wagons. The textile industries, both wool and cotton, have been constantly occupied for the army. They have also achieved a splendid success with experiments with substitutes. The usual misery among the laboring classes attendant upon former wars is a phenomenon which is happily absent from this one. In many cases women have temporarily taken the place of men.

Owing to the prevailing fear of great losses at the beginning of the war the dividends of many businesses were either reduced or su p d ed.

The second year of war has proved this fear to be groundless for many firms, if not all, have made great profits during the war and strengthened their position. Many companies indeed are now in a position to increase their dividends.

All of which speaks volumes for the productive power and recuperative force of the Dual Monarchy at present and in days to come.

THE FINANCIAL STRENGTH OF AUSTRIA-HUNGARY IN THE WAR.

By Philipp Broch

Manager of the Allgemeine Verkehrsbank, Vienna.

Part I.

Although indeed as yet, no ray of light portending an approaching peace has anywhere pierced the war-clouds with which the sky is covered, yet our hearts are penetrated with a feeling of joyful assurance that we shall fight out this great war to a victorious finish. The continuous display of offensive strength with which our armies have achieved the notable successes of the past weeks makes us almost forget that already eleven months of desperate struggles on innumerable battlefields lie behind us, and just as little does our economic life in the untiring intensity of its manifestation show any sign whatever of breaking down. Yet this is bitterly complained of as being the case in Russia, France, England and now in Italy, even by the press of those respective countries.

Justified as we felt ourselves in confidently apprizing our financial and economic powers of resistance, yet the brilliant progress shown in the development of these powers during this war, has already become a matter of history, and has been for us all a joyful surprise.

Factory chimneys pouring out their smoke in all localities, in all works, busy, pulsating life and the intensive employment of all the forces at disposal, increasing output of our iron works, a rapid and decided elimination of the moratorium in the matter of payments and credits, increase in the deposits of our saving-institutions and the willing adjustment of the people's dietary to the changes and limitations demanded by the conditions—this is the external aspect of our economic life after eleven months of war. No weak break-down under the stress of the storm which has broken upon us, no trace anywhere of a crisis, but erect and strong as never before, our civil life in all its activities, stands with its rich resources as a support behind our front.

Our Industrial Independence During the War.

The Monarchy was suddenly cut off from the outside world at the very moment when the heaviest tasks were demanded of it. While the German Empire had been ever accustomed to be not only industrially independent, but to provide the whole world with its products, our Monarchy had adjusted itself to the practice of drawing a large part of its needed supplies from abroad. The plight in which we were therefore placed has brought it about in a most gratifying way that our industrial efficiency, supported by an inexhaustible supply of coal and iron, has been able to provide all of the thousand-fold requirements of modern warfare, the whole series of weapons needed, from light hand-guns to our ingenious motor-batteries and 42 cm. howitzers, along with immense quantities of ammunition; and not only this, but likewise to supply our needs in all other products of the iron and steel industry, of the automobile and aeroplane industries, in explosives, in leather and textile goods and in optical and pharmaceutical wares, without having to yield place to the most powerful industrial states of the world in respect of equality of performance.

This compulsory emancipation from the outside world has splendidly developed the abundant forces of our intellectual and material capacities in the domain of our domestic industry. It has had the further gratifying effect that the money which our government administration has to spend for the providing of war supplies is not withdrawn from domestic use and sent abroad, as is the case in Russia, England, France and Italy, but remains at home to fructify business and traffic, to lower the rate of interest, to render easier general credit conditions, and in this trying time to make it possible for the population to find work and the opportunity of earning, and this, joined with a curtailing of general living expenses conformable to the seriousness of the times, has extraordinarily raised the saving ability of the people.

The published reports of the increase in deposits in Vienna and in the Crown Lands disclose record figures, such as have not been shown in the time of our greatest business prosperity, and the demand for investment securities has led to a considerable advance in quotations, notwithstanding the compulsory withdrawal of the public from the share and bond market owing to the closing of the exchange.

The Covering of Our Money Needs During the War.

Even in times of peace we were not in favor in the great money markets of the world, because we were represented, for reasons easy to be understood, as an organisation of states, undermined in both a political and military sense, that must fall to pieces upon the first assault. We were consequently thrown upon our own resources for meeting

the financial requirements for the economic development of the community.

We have been economically and financially strong enough to create the Austria-Hungary of today, which has set the world in astonishment at the splendid way in which it has developed its financial and military forces, and we are also showing ourselves strong enough to meet the costs of the war in our own land, independent of outside help, while our adversaries are compelled, under oppressive conditions, to become indebted to foreigners, and thereby to enter into relations of financial dependence, which will prove to be a severe restriction on their freedom of political action in the future.

In foreign newspapers the assertion is being constantly repeated that the Austrian state is meeting its money needs for carrying on the war principally from the coffers of the Austro-Hungarian Bank, and that in consequence the currency has been greatly inflated by issues of unprotected bank notes, and a depreciation of Austrian money values has set in.

On the contrary, it may be maintained that the Austrian finance administration has neither in the case of the Austro-Hungarian Bank nor in that of the Post-office savings-banks made demands for advancements, but even now stands in relation to both institutions only as depositor on transfer accounts.

The Austrian state in the financing of its loans, in times of war as well as in those of peace, relies exclusively upon the Austrian Consortium for State Finance-Transactions. The banks together with the postal savings-banks and the house of S. M. von Rothschild belong to this Consortium, which represents a capital concentration of more than

Seven Milliards of Kronen

(a Krone = about 21 cts.)

and has an organisation for placing loans and investment which embraces the whole Empire.

Another Consortium, the equal of the above in capital strength and in the ability to place loans, formed of the Rothschild group enlarged by the addition of the prominent Austrian and Hungarian banks, is at the disposition of the Hungarian minister of finance for the negotiation of the loans of that kingdom.

The success of both of the war loans shows that the efficiency of these Consortiums is equal to the strongest demands that can be made upon them.

The two states have received from the proceeds of the 1st war loan $3^1/_2$ *milliards* and from the available results of the subscriptions to the 2nd loan, these will probably reach the sum of *4 milliards*. The

periods for payment extend to the month of September. From the proceeds of our loans to the amount of $7^1/_2$ milliards, we are amply provided for until Autumn, while Russia as also France and England have each contracted loans of 15 milliards, or in all, 45 milliards, and are immediately facing new difficult financial transactions in order to cover the pressing needs, amounting to milliards, of their expensive warfare. Italy is negotiating for the pledging of her customs duties to England to obtain from the latter a loan to meet her war costs.

Lloyd George has said: "Germany, thanks to her industrial independence, is in a position to wage war much cheaper than England."

The *Morning Post* did not exaggerate when it said in a leading article: "The cost of our improvised army is immense. It costs us more than all the armies which Germany and Austria-Hungary maintain on all the fronts."

We do actually carry on war much cheaper than our adversaries, not only because we produce ourselves all that is required, but also because we, in the main, are carrying on a land war, while our enemies are also obliged to wage naval warfare on a large scale.

In professional journals in foreign countries, which are, in other respects, to be taken seriously, it has been stated that the result of the 1st war loan was only able to be attained by such an expenditure of effort as is equal to a complete exhaustion of our financial ability for the future. On this account, the repeated milliard-success which we attained with our 2nd loan, may well fill us with redoubled satisfaction. Even this, however, has not by far necessitated the mobilisation of all the financial reserves which we have at command.

Savings Deposits and War Loans.

Let us take a look at the movement of the savings deposits during the month of May in which the withdrawals took place, for making payments on account of the war loan. In connection with this we must remember that the savings-deposits naturally belong to those classes which have paid for the most part, at once and in full, the amount of their subscriptions.

The savings-deposits in the Vienna money-institutions, not considering the far larger amount of current-account deposits in the banks, amounted at the end of April to 1944 million; at the end of May to 1858 million. This is a diminution during May in connection with the war loan of 86 million = $7^1/_4$ per cent. In the first four months of the year, however, the deposits, notwithstanding the withdrawals in January and February for payments on the 1st war loan, had increased by 220 million = 13 per cent. The nett result is, that, in spite of the withdrawals on account of the two war loans, the savings deposits in

Vienna alone, since the first of the year and up to the end of May, increased by 85 million Kronen = 5 per cent.

These figures are indeed an unerring witness to the fact that the means for meeting the subscriptions to the war loan have not been raised by drawing upon our stock of savings, which forms a national reserve of financial strength, but from the fresh supplies arising from our industrial activities, that is, from normal accumulations of capital.

The same is true and in a like degree in reference to the savings of Hungary. The extremely advantageous disposition of the collective agricultural products has brought in many hundred millions in cash, which have accumulated in the savings institutions of Hungary. It is to be regretted that the amounts cannot be exactly stated, because the Hungarian money institutions do not publish any monthly reports, but from the rates of interest ruling in the money market there, it is to be seen that the institutions mentioned, owing to these influxes of funds, are in a financially strong condition, and one may say, saturated with money, and that also the payments on the Hungarian loans are made exclusively out of these fresh additions to capital.

For finding out how far the savings institutions in the Austrian crownlands have been called upon, valuable information is at hand in the several reports which have appeared for the month of May.

Amount of Cash deposits.

	April 30	May 31	Difference in millions of Kronen
Bohemian Savings Bank	258.1	254.6	—3.5
City Savings Bank of Prague	210.0	209.7	—0.3
Styria Savings Bank	144.5	145.0	+0.5
Linz General Savings Bank	100.5	96.7	—3.8
Innsbruck Savings Bank	97.8	96.2	—1.6
Salzburg Savings Bank	86.4	83,7	—2.7
First Moravian Savings Bank	66.0	63.4	—2.6
Reichenberg Savings Bank	63.7	64.3	+1.1
Carinthian Savings Bank	49.6	48 5	—1.1
	1076.6	1062.1	—14.5

Part II.

In the case of these institutions with gold deposits of 1077 million Kronen at the end of April, the falling-off in connection with the war loan amounted in all to 14 million = $1^1/_3$ per cent, and this represents here also only a part of the inward flow of fresh money since the first of the year.

How does the alleged violent plundering of our savings banks, occasioned by the subscriptions to the war loan, appear in the light of these actual facts?

The stock of cash deposits in the Austro-Hungarian money institutions, amounting in round numbers to 20 milliards, remains therefore an untouched, and strong financial reserve force for the future.

We are on this account strongly equipped to meet the coming financial demands, whether they are made upon us for the continuing of the war, or for the tasks of peace.

The Security of our War Loans.

We have no need to shrink back from the question whether the financial efficiency of the Monarchy after the war will develop in such a way as to be equal to its increased liabilities.

At the end of 1913,

the Austrian public debt amounted to . . . . . 12.5 milliard Kronen;
the Hungarian to . . . . . 5.5 „ „
Total 18.—

Of this amount, 7 milliards in Austria and 3 milliards in Hungary, together 10 milliards, represent investments in state railways, including private railways which have been taken over by the state; so that *more than the half* of the public debt represents productive applications of capital, the returns from which, in the main, meet the interest charges and provide a sinking-fund for paying off the principal.

The total state revenues amounted in the years

	1900	1913	Increase
In Austria	1654 million	3486 million	1832 million
„ Hungary	989 „	2072 „	1083 „
	2643 million	5558 million	2915 million

The revenues of the two states have increased by an amount of almost *3 milliards* since the year 1900. The total payments to the government, including those for use of the railways, for the post, telegraph, etc., amount therefore to about 110 Kronen per head of the population.

In Austria alone, the personal incomes of the population, subject to tax, so far as known, amount to 6.7 milliards yearly, and the total personal income-tax is preliminarily assessed at 134 millionen Kronen.

The wealth of the people belonging to the Austrian half of the Empire is estimated at 200 milliards, a figure, which in consideration of the known incomes subject to tax, amounting in all to nearly 7 milliards, is certainly not set too high.

The state succession duties upon the change of title of this gigantic capital amount to scarcely 35 million yearly, in consequence of the as yet very low rate at which they are placed.

The yield of the land tax, which more than 20 years ago experienced a reduction, but since then has never been raised, amounts, in conse-

quence of this reduction, to about 50 millions, as against 70 millions in 1890, although the normal value of the agricultural production in Austria alone, without Hungary, has grown, in consequence of continued consolidation and improvement in management, to 5 milliards yearly.

These data surely allow the conclusion that the Austrian budget, as well as the Hungarian which is framed on similar principles, possesses elasticity enough to be able to increase the revenues for the purpose of meeting the interest demands occasioned by the expenses of the war, without laying upon our industrial life burdens, which would limits it movements, and impair its ability to compete in the markets of the world.

In what way a healthy industrial development affects the state revenues is shown us by the rise in the income of the Austrian state alone since the year 1900.

The direct taxes have increased by 153 million, the customs-duties by 80 million, stamp taxes and fees by 73 millions, the income of the tobacco administration by 127 million, post and telegraph by 109 million, receipts from transportation lines by 561 million, from forests and crown lands by $8^1/_2$ million, from mines by 16 million.

The total revenue of the Austrian state alone, that is, without Hungary, has within this time, as before mentioned, advanced from 1654 to 3486 million, an increase of 1831 million, or more than doubled itself.

These are the figures of a normal economic development in times which were often politically greatly disturbed; and what a fullness of industrial and cultural productions the Monarchy has brought forth during this time!

If once the great political anxiety can be removed from our industrial life, which for so many years like a heavy incubus has weighed upon every desire to inaugurate great enterprises, and has caused us such great damage by reason of the frequently recurring political crises and interruptions to business, we shall then have the experience that the German Empire had after the war of 1870-71, by which its Federa Union was accomplished, that the war has loosened the chains which bound our economic life, that it signifies not destruction merely, but also—rejuvenation and renewal, and that it will give an impulse to our productive abilities which no peace was able to evoke.

The demand that will set in after a long period of limited supply will be all the stronger, and will offer to the spirit of enterprise a wide field for its manifestation.

Our industrial life will enter upon an era of the greatest development, and with an increased activity and creation of capital, will certainly be able to afford the state a yet greater support.

The Entente lands also wish to isolate us economically in the future. But just as they have by this attempt during the war more benefited than injured us, so will they too by such a policy in time of peace only do damage to themselves.

Such a policy will afford the *United States of America* the opportunity of drawing increased advantage from the great industrial development that will soon take place.

The import of Austria-Hungary from the North American Union amounts to 330 million Kronen, and our export to the Union to 70 million. The Union therefore has already a trade balance in its favor of 260 millionen Kronen in gold in its dealings with us, and this difference will in the future yet further proportionally increase, if is able to take the place of the Entente countries in supplying our market, the purchasing power and needs of which will hereafter be yet greater than at present. Especially will the projected extensive reorganization of our agricultural industry offer a strong stimulus to the import of agricultural machinery from the United States, which is already a very respectable one.

The Austrian Stock Market in Time of War.

Although the whole interest of the public seeking investments, especially since Italy's declaration of war, is exclusively directed to the emission of the war loan, yet Austro-Hungarian stocks still claim undiminished attention. In spite of the modest rate of interest which these stocks pay compared with the war loan, quotations have continued to rise, and it is characteristic for the working of the Austrian stock-market in time of war, that the supplies of stocks and other securities arising from the exchange operations in connection with the war loan are quickly taken up at rising prices. For every parcel that comes on the market there are several takers, and so these financial problems which the war has raised have also found their gratifying solution.

The Food Supply During the War.

The question of feeding our people during the war has been no less satisfactorily regulated. The people willingly accommodated themselves to the restrictions demanded by the circumstances, and understood how to keep house with the supplies that were in the country.

This economy has caused an essential improvement in the proportion of provisions on hand to the number of the population. While at first, with the continuous using up of last season's crops, an increasing contraction of the food ration was feared, we are now in a position

where this can be improved both in quality and quantity. And so the starving-out war, in which we were to go to pieces, has like so many other calculations of our enemies, failed because of the firm determination of our people. While we were learning to be saving with our old supplies, the whole working energy of our country population was directed towards preparations for the new crop.

The war has also proved to be a great teacher for our agricultural industry. The fields were tilled with redoubled energy. By utilizing every foot of soil that was at all suitable for cultivation, an agricultural intensity was developed such as we have never known in times of peace. Children have sown the seed, women directed the plough and old men swung the scythe over luxuriant meadows. A rich blessing seems assured to this labor. The promising young crops spread out endlessly on on every side, covering the land as with a variegated carpet, richer and fuller than we have seen them for a long time. And as mother earth, undisturbed by the great work of destruction which men are directing against their own productions, undisturbed by the streams of blood which drench her fields, renews and makes them young again, so will the genius and industry of man, overcoming all the wounds which this war has inflicted on humanity, fully complete the work of restoring peace among the nations, and all that has been destroyed.

OUR BANKS DURING THE WAR.

By Walter Federn.

It has often been said during this war, that everything has turned out differently from what was anticipated, and thus the great fears that were entertained about our banks and our credit system in case a big war should break out are to-day almost forgotten. And yet there were many bank managers who at the beginning of the war looked forward with very mingled feelings, which could not be characterised as anxiety alone, to the future from the point of view of the interests which they had to guard. If the dangers which they feared were not realized, if after a few critical days everything settled into smooth channels, this was due to the circumstance that the war was being fought at the frontiers of the Empire, that the population observed an unforeseen stoical calmness, and particularly to the preventive measures enacted by the Law and by the Administration. But it was certainly also due to the fact that the greater majority of the Banks themselves were absolutely sound, and stood on a firm basis; and where germs of instability may have existed, they had not been able to

undermine and endanger the resistant force of the organism. But nothing could be more erroneous than to draw from this smooth working of the majority of our banks — of course there are exceptions, but not among our Viennese institutions — the conclusion that our credit policy could be relaxed, that the feared deposit-panic is a mere fable, that in consequence the old principles of bank policy need not be enforced as strictly as before. On the contrary, the war has taught us the very reverse.

First of all, the fact that a general panic of the bank creditors did not break out during the war, does not prove that it will never break out. It only demonstrates that owing to the particular forms the war had assumed, and owing to the measures enacted, such as postponing the maturing of bills, etc., etc., a panic has been prevented. Perhaps it may be that the panic did not occur because under the overwhelming impression caused by the outbreak of war, the influence of which was paralysing on some and exhilarating on others, the majority of people were moved by quite other feelings than even the anxiety for preserving their fortunes. And in the further course of the war nothing occurred on the battle field which might have caused the panic to set in, afterwards, it had been once averted at the beginning. But an economical crisis and unfavorable conditions prevailing in individual banks might cause a panic, such as America experienced in 1907.

In spite of the fact that the war did not cause the general panic to break out, this does not mean that the good old principles of our bank policy always to keep ample ready cash on hand, to invest one's own and foreign capital in such a way that it can always be easily turned into ready cash again, to observe a proper relation between one's own means (and the foreign means deposited with one), a careful division of liabilities entered into, etc., etc. could now be dispensed with. Not only that certain individual bancs, to which we have referred above, are condemned to carry on a shadowy existence, that their crisis is only postponed, because it is not considered good policy during the war to let fate overtake them, and powerful organisations therefore prop them up; the balance sheets of our banks show which of them weathered the storm with small or greater losses, although there is an absence of details and an incompleteness in the reports on business events, on losses, and on probable losses. The amount of the losses in themselves is not the decisive factor. Chance plays a part here. And no bank has published its actual losses, giving us therefore no means of comparing notes. It is clear that the Galician Banks must be completely paralyzed, and that consequently those of our leading institutions whose speciality it had been to support the Galician Banks,

because much money could be earned in Galicia, must of necessity be suffering considerable losses. That banks which had branches in enemy countries, must put aside reserves to cover losses which they are bound to experience, is indisputable.

There remains but the question as to how these losses fit into the general working of the bank, and how they appear in the balance-sheet. If a bank with mediocre means for years past extended its business disproportionately in the direction of Galicia, then it has committed a serious error in bank policy for the sake of harvesting large profits. This mistake it has to pay for in this war. But not only the direct losses caused by the war have appeared on the surface. The relative amounts of the doubtful debts, as far as banks publish these, show clearly with a few solitary exceptions, the greater or lesser measure of circumspection and discretion which the banks have excercised in granting credits. This is also shown by the relative amounts which they had to write off for losses on stocks and shares and private companies. The relationship of these engagements to the credit giving business, and the engagements resulting from current banking business, correspond clearly with the amounts which had to be written off on these accounts.

Where this relationship was not well proportioned, there the sums which had to be written off, were also larger. A sure sign that the engagements which were beyond the normal, were mostly bad company promoting businesses, or the promoting of such enterprises as were intended to veil previously committed mistakes in credit giving. Also the bad or good policy in apportioning the annual dividends observed in peace times has now reaped its reward, or its punishment. Where the dividends were kept up artificially at the cost of the open or secret reserve funds — although this happened in quite isolated cases only — the present dividends had to be cut down so much the more. But where the profits from syndicate business were cautiously apportioned, the present dividends could be kept on a relatively higher level. I do not wish to say anything against the custom of forming silent, or secret reserve funds. But I do not approve of them from the point of view that the balance sheet should be absolutely true, and that the shareholders are made to believe in a stability of the dividends which in reality does not exist. I am of opinion that the banks would act more properly if they had open accounts for special reserve funds against losses from various possibilities, such as losses on stocks and shares, loss of clients, which funds they might now quite properly have used for covering losses incurred. This would have made a better impression than the payment of dividends out of general reserve funds.

But the figures of the Balance sheet also clearly reflect the greater or lesser force of resistance and efficiency of the individual banks during the war.

The easily foreseen, and yet not foreseen, event of the war was the great increase of money entrusted for administration to the banks, which naturally had as its effect the increase of bank notes, which was only temporarily arrested by the issue of the war loans, but not stopped. And the balance sheets of the banks show clearly by the influx of client's deposits, which banks, by their way of doing business before the war, and particularly during the first weeks of the war, had retained the confidence of the public, and where this was the case in a lesser degree. And on the asset side it is likewise discernible whether a bank was in a position to liquidate its assets easily or otherwise. The degree with which this might be possible is of course partly limited by the increase of client's deposits. Chance may play a part in the increase or decrease of debtors. If by chance a couple of clients who had been much in debt to the bank, by working for the war office received large sums in ready cash, they were able to pay off their debts. On the other hand there might be clients who were not indebted to the banks, but who, being unable to dispose of their goods to the war office and having new goods in hand to be finished, became temporarily obliged to open a credit with the bank. There are some clients whose trade is altogether paralyzed by the war, and they are entirely dependent on the credit of the banks for their existence. Particularly the ready cash accounts are this year a test for the soundness of the balance sheets. For this year only those banks will be satisfied with keeping little ready cash who were unable to demonstrate the easy liquidation of their assets in consequence of large withdrawals of client's deposits, or owing to the fact that their funds were invested in real estate business. Similar conclusions may be drawn from the statement of the bill of exchange department, although the picture it presents may, in some cases, be somewhat blurred owing to the possibility of veiling the relations between debtor and bill. It is also pretty well known, although this does not appear in the balance sheet itself, which banks have been able to come to the assistance of smaller credit institutions to enable them to pay in the instalments on the war loans to which their clients had subscribed. At all events it will have to be assumed that those banks, which did not publish it in their balance-sheet, were also not able to effect such a temporary use of the credits, which the Post office Savings Department kept with them out of war loans.

Thus the balance-sheets of the Banks unintentionally give much information on their inner situation to the expert. That the conditions

shown by the balance-sheets of almost all Vienna Banks present are good, although with a variation in degree, is a fact to rejoice over. However almost all banks will have to draw lessons for the future from the occurences of the war year. It is very probable that for the banks, not so much the war-time itself which afforded them great facilities owing to the abundance of means for payment, but the following peace years will form the touchstone for their financial abilities. Then only will it be seen whether in writing off losses and war loss reserves they took account of all possibilities of loss. Their task in credit policy will be ever so much more difficult than that during the war. They will be confronted with urgent demands for credit from State, Industry and Speculation. For productive purposes large means will be demanded because the consumption of all stored goods and the re-awakening of the suppressed power of consumption will cause a stormy demand for the most varied goods, which it will be impossible to meet with the existing means of production.

The banks will then have to examine carefully whether there is the probability of a permanent demand for these products which are to be produced in those newly to be established, or newly to be enlarged factories, in order that a still severer crisis may not overtake the old and new establishments if the demand should cease after the consumed goods had been replaced. And the banks will have to observe the very greatest moderation in granting credits for speculative purposes. This is the domain in which most of the sins of the past have been committed, and various banks which had based their businesses exclusively on speculation in stocks and shares, have felt the result during the war, not in large losses, but in the disappearance of profits. From such losses the banks have been protected by the closing of the bourses, and a speculation-crisis after the first peace-orgies are over, which might coincide with a crisis in industrial circles, would no longer be afforded the same protection against losses by the public and the banks.

THE AUSTRIAN IRON AND COAL INDUSTRY DURING THE FIRST YEAR OF THE WORLD WAR.

By Director-General Wilhelm Kestranek.

After a long term of paralysing feverishness, which almost asphyxiated Austrian trade and commerce, which moreover were handicapped by various circumstances predominating in the country, the thunderbolt of the call to arms against Servia fell suddenly from the air, followed

by the stunning lightnings of numberless other declarations of war. The first effect was a moment of complete stoppage of all trade and commerce. The world stood before events the consequences of which could neither be gauged, nor guessed, nor had they ever been foreseen. There existed in the experience of those concerned, no standard by which the future might be judged. There had been various opportunities during the last few decades of observing the effect of wars between two states; but now one was confronted with a world-conflagration and the measure was missing by which one might estimate the consequences which the war might have on trade and commerce in the countries engaged in war, as well as on that of the world in general. Some were of opinion that in view of the enormous overtaxation of all forces which the vast masses of armies and modern means of fighting cause, such a gigantic struggle could not possibly last longer than a few months. Others were of opinion that in the face of the bitterness of feeling in the contest, and the far set aims of the fight, one would have to reckon with a duration of some years. By degrees however the blockage began to break up in a recommencement of tentative activity. It was just like some one pushing a stick into an ants' nest. At first a great confusion, and dispersal in all directions of the little architects; but soon afterwards their return, and the recommencement of their accustomed regular work and of a systematic reconstruction of their dwellings.

AT THE OUTBREAK OF WAR

In the first month of the war, in August 1914, the production of goods naturally came at first to a stand-still. A great number of hands who were engaged in their manufacture were called to serve in the army, and the railways which are the only means of transport and distribution in modern business life, were used exclusively for the transportation of troops. The greater part of those engaged in the manufacture and production of commodities and merchandise who where not obliged to fight in the ranks, were to a great extent employed to work for the outfitting of those going to the front, or in aiding their families at home to reconstruct their affairs on a new basis. Then at the outbreak of war many fields had not yet been harvested, and others had to be tilled, for which work, it was feared, there would be a scarcity of agricultural hands at the right moment. This fear caused many an iron-master and pit-owner, who were also afraid that in the near future they might have not enough work to do for their men, to advise their men to seek employment in the agricultural domain. Soon however it became evident that the busi-

ness of the iron works and the coal mines grew so rapidly that the workmen who had been allowed to work in the fields, had to be called back to their old work in the mines and mills.

In order to secure a regular supply of those most important materials, coal and iron, for the armies, and for trade and commerce, and for the use of the public in general, it became eventually necessary to discharge a number of skilled hands from the army and re-install them in their former places, to ensure the utmost use being made of their capacity to turn out coal and iron. The need for coal and iron, caused by the war, presented itself in the most varied shapes. Although it is not always recognisable, except when the orders come from the War Office direct, what purpose certain ordered goods are to serve, yet it is a fact that almost the entire output in iron-goods and products, is ultimately intended for military purposes. For instance, there began the supply of barbed wires and iron entanglements for defensive purposes. Then followed an ever increasing supply of steel for projectiles. The supply of steel for bayonets and swords; of supports for fortifications; of steel for protecting shields; steel for ammunition-boxes, for pontoons, for spades, orders came for rails and sleepers for field-railways, for rolled iron for field-beds; rolled tin for canned goods, refined tin for mess-plates and field-kitchens. Corrugated iron for bomb-proof shelters and barracks; iron chains of all sorts; tyres for the wheels of baggage vans; enormous quantities of horse-shoes and shoe-nails, and so forth. Then followed extensive constructions of buildings for housing the wounded, and the prisoners of war. Regular large towns sprang into existence which were supplied with all the most modern requirements and contrivances, such as telephones, electric light, water supply, canalisation, and the latest inventions of sanitary engineers, and hygienic inspectors,—which all culminate in the use of iron. A great demand for iron stoves set in, which were required not only for the said shelters, but also for the comfort of the men in the trenches on the front. In the winter numberless sledges were required, all with iron mountings, and iron acccssories. The railway plant was enlarged, loading sheds with iron-roofs were erected, great numbers of railway trucks and vans, and engines were ordered. And finally iron was, where possible, substituted for more costly and rare metals, such as brass, copper, and others, in small things and large. Thus today the small shell of the infantry cartridge is made of steel; and the large fire-boxes of the railway engines are likewise made of steel, instead of copper as before.

INCREASED SALE

All these new demands which have been quoted haphazard simply to give some idea of the new sources tapped by the order books of the iron industry, have increased the work and the state of existing orders in the hands of the Austrian iron and steel industry in such a degree that in the last few months the output and sale have reached higher figures than they had touched during the epoch which preceded the outbreak of the war. The organised ironworks of Austria supplied during the first ten months of the war, i. e. from August 1st 1914 to end of may 1915 for home consumption 7,275,000 Double cwts. of iron half manufactured; rod and special iron; girders; rough and polished tin, iron rails, rail joints, wire, wire-nails and forged iron pipes, as against 8,190,000 Double Cwts. during the corresponding months of the previous year, from August 1913 to end of May 1914. These figures certainly show a deficit of 915,000 Double Cwts; but more than half of this deficit falls to the charge of the first war month August 1914. From that month onwards the sale increased continually. Commencing January of this year the sale figures are already higher than they were in the corresponding month of the year 1914, as the following tables show.

Home supply of the organized Austrian iron-works, iron imperfect products, rod and special iron, rails and rail-joints, wires, wire-nails and wrought iron pipes:

Month	1914	1915
	Double Cwts.	
January	783,000	791,000
February	800,000	845,000
March	1,078,000	1,105,000
April	941,000	990,000
May	955,000	808,000

The decrease of sales in the month of May is only of a passing nature and is explained by the fact that immediately on the outbreak of the Italian war at the end of May the traffic was completely interrupted. In reality the Austrian iron works are now permanently employed to the utmost extent of their capacities, and of the number of hands available, with turning out materials and goods on order.

RAW IRON AND STEEL PRODUCTION.

The production of raw iron has already reached the figure of 90 per cent of the normal output, whereas the output of steel has already surpassed the normal figure. Thus the iron and steel industry of Austria is in a position to satisfy without limitations the requirements

and demands created by the war. It ought to be borne in mind that the Monarchy during the last years used to import iron ore amounting to 9,400,000 Double Cwts. (of which the greater part, namely 7,000,000 Double Cwts. came from Sweden); as against an export of but 1,000,000 Double Cwts. In spite of the strangling of the possibility to import iron ore, the Austrian blast furnaces were able to raise their output, as stated, to the normal figure by an extreme exploitation of home ore mines. In this connection it must be remarked that the Monarchy during recent years imported on the average about 9 millions Double Cwts. of coke, and nearly all of this quantity came from Germany; while on the other hand, the Monarchy exports about 3,5 millions Double Cwts. of coke. This difference of 5,5 millions Double Cwts. had to be covered by imports from foreign countries. Thanks to the circumstance that the coal-mines and coke-furnaces of the Ostrau-Karwin coalfields, which are alone to be considered for the production of coke, could remain in uninterrupted working condition; and thanks to the circumstance that the German railway administration have so brilliantly stood the test to which they were put, were able to keep up an uninterrupted import of coke from Germany, the blast furnaces of the Monarchy have been spared all interruption in their work, and were able continously to increase their output. The fulfillment of the demands made on the iron works was assisted by the fact that the export of iron ware and steel manufactures dwindled by degrees down to a minimal quantity, thus the entire production was taken up by home consumption. The Monarchy in the year 1913 exported altogether 710,000 Double Cwts. of rolled iron goods, as specified above including wires, wire-nails and forged iron pipes, as against an import of 450,000 Double Cwts. And in the previous year 1912 an export of 670,000 Double Cwts. as against an import of 570,000 Double Cwts. How necessary it was for the Austrian iron industry in the time before the outbreak of the war, in consequence of the stagnation of the industrial activities, to seek a sale for its goods in foreign countries, is shown by the fact that in the first half of the year 1914 710,000 Double Cwts. of above-mentioned goods were exported, or as much as during the whole year 1913 had been exported, and only 200,000 Double Cwts. had been imported.

The Steel Works of Austria were able to reach, and to keep up the full figure of their normal outputs in spite of the scarcity of many of the articles usually required for producing steel. One rapidly learned to economize that which was on hand, to find substitutes for certain materials, and to exploit to the full all existing resources, and even to open up new ones. Thus for instance the supply of iron manganate

which is looked upon as indispensable for the production of steel and for the manufacture of which one was obliged to fall back exclusively on mangan ore from Caucasia, was secured by most economical use of those quantities which were still in stock, and by working home mines which had been lying dormant.

The Austrian iron industry and the coal industry, like their sister industries in Germany, have shown in these severe times an extraordinary ability to adapt themselves to changed conditions. The coal mines in spite of an immense shortage of hands have reached figures in their outputs which closely touch on the figures of normal times. In fact in some districts, as for instance the Kladno coal fields, the present output has out-distanced the output of normal times, although naturally they had to battle with the same difficulties. Thus for instance the coal-mines are obliged to do without dynamite and high explosive stuffs for blasting purposes. But soon our enterprising technical home institutes found a substitute for these explosive materials. Thanks to the assistance of related industries; thanks to the overtime by the miners, and in consequence of the circumstance that all unprofitable, or unproductive work was eliminated, the coal-mines were able to increase their output to such a degree that all demands could be satisfied. At times, interruptions are caused by temporary stoppage of the railway traffic in consequence of military requirements.

The demonstrated efficiency of the Austrian national economy and its capacity to adapt itself to changed circumstances in general, and of the iron and coal industry in particular, strengthens the confidence in a victorious end of this gigantic battle of peoples—a confidence which springs from the chief source of trust—the death-defying heroism of our valiant soldiers.

AUSTRIA'S STEEL AND IRON INDUSTRY

THE COMMERCIAL CONSEQUENCES OF THE WAR

The close brotherhood-in-arms between Germany and the Dual Monarchy finds a parallel development in the economic phenomena that accompany it. The external factors which condition prosperity and the reverse are in both cases identical. Austria-Hungary and Germany are both cut off from the great international trade routes by the tyranny of England upon the sea. Their industries are for the greater part sustained by the enormous demands of the war orders. At the same time there are essential differences in certain branches, based upon

the commercial or financial conditions of certain industries and these are still further intensified and thrown into prominence by the war.

The German iron works show clear signs of a certain slackening coincident with the progress of the war—the Austrian-Hungarian iron industry is, on the other hand, in full swing and can scarcely keep up with its orders.

The September report of the iron industry of the Dual Monarchy shows a decided increase in all manufactured articles. It is natural that there should be an increase over the figures of last year, for in the months immediately following upon the breaking forth of the war, most of the furnaces were blown cold, and many rolling-mills and steel works were shut down. But there is also an increase over the production in the corresponding month of 1913, especially in certain important lines—such as iron rods and mercantile shapes—whereas steel beams, in view of the decrease in building activities, showed a marked decrease. The government is the source of most orders—work for the army goes on day and night. Arms, munitions, the endless varieties of military equipments consume tons upon tons of iron. But the labors and needs of peace are also considered — the state railways, for instance, have given out enormous orders. The permanent ways and the rolling stock have naturally suffered great deterioration through the war, and require a constant renewal. A great number of bridges have been destroyed, and must be rebuilt. A vast quantity of new rails has been ordered. Contracts for steel bridges and culverts have been signed. The locomotive works and car factories have never been so busily occupied as at present. The Austro-Hungarian iron industry is assured of work for a long time to come.

The picture presented by conditions in Germany is somewhat different. Here too, the war had been a great accelerator of all branches of industry, but not to the same extent as in Austria-Hungary. The last (Sept.) report of the German Steel Companies available at this writing shows a diminution of some five per cent. The German steel industry is not working at full blast, like that of Austria-Hungary, but shows a considerable slackening in its activities. German iron works, prior to the war, disposed of about one-half their products to foreign countries, and most of the means of transportation are now barred. German exports, however, may still be sent to Denmark, Sweden, Norway and Switzerland, as well as to Roumania and Bulgaria — and now Turkey. The German reports show that the chief decline is in the branches of railway material and shaped iron. The long duration of the war has brought it about that many large buildings enterprises and public works have been completed, and

have made way for new undertakings. Many large contracts, however, especially those in large cities, have been held in abeyance until after the war. And it has not been easy task to replace these. Army orders also cut a large figure in the German iron industry, but not so exclusively as is the case in Austria-Hungary. And the German works are not in a condition to develop a full output. Whereas the Austrian iron and steel companies are this year awaiting a considerable increase in their dividends—those of the Alpiner Montangesellschaft, for instance, have risen from 32 to 35 crowns and those of the Prager Eisenindustriegesellschaft from 140 to 150 crowns—it is very likely that the German firms will show the same dividends or, more properly diminished ones. Several large companies have lately declared that they would pay no dividends this quarter, and it is probable that the German steel industry will take some time before it can once more be placed on a normal footing.

The success of the Austrian War Loans, the immense flood of new supplies and fresh currents of vitality that will be set throbbing up and down the freed Danube and the railway to Constantinople will not only help to sustain the economic strength of Austria-Hungary and its ally, but will also open up fresh markets for the industries of both countries. Among these the iron and steel manufactories will have a large and profitable share — for though at present occupied chiefly with forging the sword, they are able at any moment to suspend these grim activities and once more take up their creative work, as was the case before the threats of the surrounding enemies forced them to suspend their peaceful and beneficient labors.

AUSTRIA'S INDUSTRY IN WAR.

By Max Friedmann, Member of the Reichsrat.

Austrian industry has in general survived the first year of war in excellent shape—the demands of the army as well as of the large populations in the *hinterland* were entirely satisfied—and there is no doubt that these will continue to be met and nearly all expectations realised. It must be acknowledged that certain manufactures, such as those dealing with the production of luxuries, or such as depend upon the activity of the building trade, have been forced to suffer.

Nevertheless most manufacturers were able to adapt themselves with remarkable speed to altered conditions and also meet the enormous demands of the army. The difficulties experienced at first in connection with the moratorium and certain unnecessary financial and commercial

restrictions were soon overcome. The creation of ways and means for which one depended upon foreign countries in times of peace, and supplies made all the more necessary by the great demand for them, a demand impossible to satisfy by imports were undertaken and quickly carried out. In consequence of the numerous enlistments in the army the laboring forces were necessarily very much diminished—which called for the utmost utilisation of time and power, both of the manual and the mental laborers.

Permission to import or export, the providing of raw material, difficulties of transportation, sequestration of supplies, multiple calculations new devices, double shifts and a whole mass of new demands and problems called for the utmost efforts of the reduced personnel both in the technical and the commercial world. The workmen were obliged to exceed the usual hours of their day, and all forces were exerted to the utmost. Such efforts, of course, are justifiable only in times of war, but many valuable points and statistics have been gathered for use in times of peace. The inventive spirit also produced brilliant results. Only after the war will it be possible to form a correct estimate of all that has been achieved in this field—how factories rose from the ground—how new means of manufacture, transportation, and application—were created with lightning-like speed.

Austro-Hungarian manufactures have shown an astonishing adaptability, and fulfilled the demands made upon them, despite countless hindrances. Commercial life has been kept vigorous and active, and the nation, so to speak, grew accustomed to the war and has been inspired by the will and the ability to "hold out." The industries also supported the War Loan by munificent subscriptions.

No one can prophesy correctly the conditions which will prevail after the war. Just as all the fears that prevailed at the outbreak of the war have come to nought, so it is to be hoped that the anxieties of the most timid may in this respect likewise be negatived. Supplies, no doubt, will have suffered from depletion and there will be a tremendous amount of rebuilding to do in the wasted districts. There will thus be no lack of employment. Of course, various serious problems of an economic and administrative nature will have to be solved—as well as financial conditions readjusted to the scale of peace. The export trade which has naturally suffered very badly must be gradually restored, in brief—all sorts of questions will have to be considered. But it is not only Austria-Hungary that will suffer from these inevitable conditions. We have tested our economic and productive powers during this period of stress, and may regard the future with confidence. Many branches are already preparing for the reconversion—the new condi-

tions. Organisation and system in the fiscal, administrative and other fields are necessary, and the machinery for these has already been partly put into action. A carefully thought-out system will be necessary in the rebuilding of the districts ruthlessly destroyed by the Russians. All unhealthy speculation must be prevented—and this colossal field of enterprise be devoted to the development of a wholesome industry.

One priceless treasure has been won by the Austrian manufacturing world in this terrible war—self-confidence and knowledge of its own possibilities and power of development. In spite of all the difficulties it was forced to encounter, it has risen to all the demands of the hour and confounded all the hopes of the enemy—and will continue to do so. Herein lies the best pledge and proof for its reinforcement and development after the war.

THE FINANCIAL STRENGTH OF THE MONARCHY

The Views of Privy Councillor Koloman von Sczell, Former Prime Minister and Ex-Minister of Finance.

The "Zeit" has repeatedly drawn attention to the fact that the alarmist reports of the enemy's press about the unfavorable financial position of the Monarchy, and especially of Hungary, are intentional lies, and are absolutely without any foundation. For this reason it has been demonstrated already in these columns what an enormous importance the introduction of state monopolies would have. In particular the spirit-monopoly, which the eminent Hungarian statesman Privy Councillor Koloman von Sczell proposed some years ago, — promises such rich results that it can hardly be doubted that the financial administration of both states will carry into effect the important and significant plan of Sczell. The former Hungarian Prime Minister, and late Minister of Finances has enlarged on his plan in an interview in Budapest in the following most interesting manner:

. . . . "The noise which our enemies are creating in the world about the supposed bad, and even as they declare, ominously bad condition of our finances, need not excite us in the least," said the illustrious politician and financier. "Of course it would be foolish to deny that the budgets of Austria and Hungary after the war will show an essentially higher debt in interests to be paid, but this is a very natural symptom, and we shall hardly have to make any such immense sacrifices as our opponents. The increase of the interests, to be paid by the state, by several hundred million Kronen will certainly not be a fact to rejoice over. But in the face of the world-historic problems which we had to solve, and our firmly rooted confidence that the historic

struggle will end with our victory, such a change in our budgets could only signify a danger if no cover existed for the increase in the state expenditure. Fortunately this is not the case. On the contrary, we in Hungary are able to meet our share of the increased expenditure without any serious application of the taxation-screw. And Austria, a country, so much richer, will naturally find itself in a still more favorable position. As far as Hungary is concerned, I have shown already in one of my speeches in Parliament, that rich sources of new and increased revenues may be opened and tapped for the benefit of the Hungarian budget, by a new regulation of railway tariffs, in particular by the abolition of the, very little justified, abatements; then by carrying into effect the amendments of the income tax provided for in the Wekerle-Act, which has long been passed by Parliament, but was never as yet enacted. These amendments of the income laws have long been carried out in Austria. It is granted that these sums are not yet sufficient to cover the entire increase caused by the war. But even for this uncovered remainder, or rather for the interests on the war loans, we find ample cover in the monopolies, and, in the first place, in the spirit-monopoly. I have repeatedly proposed this measure, and I have observed with great satisfaction that, in these last months, the "Zeit" has repeatedly drawn public attention to my proposal.

The spirit-monopoly realizes enormous incomes for those states where it has been introduced — and is almost everywhere in force. In Germany the tax is about $2^1/_2$ Mark per hectoliter; in France a little more than $2^1/_2$ Francs; in Italy $2^3/_4$ Lire; in Russia about 5 Kronen, reckoned in our money; and in England even 7 Kronen. With us the tax is only 1 Krone 10 Heller; and, probably in consequence of my agitation, was recently increased to 1 Krone 50 Heller.

If we introduce the monopoly, and if we should decide to levy a tax of not more than 2 Kronen 50 Heller per hectoliter we should produce annually in Hungary alone an increase of 100 Million Kronen in our revenue.

I know quite well that the doubling of the present revenue from the spirit tax will not at once and automatically take effect. At first a decrease in the consumption will be noticeable. But under the provisions of the Monopoly Act a better quality of spirit, as compared with the present one, will be produced. And this better product, either as brandy, or as spirit for industrial purposes, will soon, not only secure the same rate of consumption as before, but in a large measure conduce to an increase. Thus that the estimated surplus revenue will amount in the first year to about 80 million Kronen; in the second year about 100 millions; and in the third year 120 millions. And I

consider it as certain that this annual increase will continue to grow every following year, though perhaps not at the same rate of progress as the first 3 years. We know that the Tobacco Monopoly has considerably improved the quality of our tobacco. And that our tobacco, and our tobacco-products are superior in every respect to the tobacco and the cigars of states where no such monopoly exists. And just as this is the case in the tobacco trade, so also in the spirit trade, our present manufacturers should continue to manufacture their products, only they should in future exclusively supply their goods and manufactures to the State alone at a fixed price. In this way the spirit distillers, like the tobacco manufacturers, would continue to earn their present profits. The quality would only improve because there would exist a fixed permanent buyer. And the State could in an extraordinary measure increase its revenues by the sale of spirit, as it does by the sale of tobacco.

But what is possible and what can be carried through in Hungary, is likewise possible, and can be carried through in Austria. When I was Prime Minister in Hungary, I discussed the question of the spirit monopoly with those circles in Austria whose business it is to consider such questions. But in those days I did not receive a definite answer to my proposals. But unless we erect a customs barrier between Austria and Hungary, such a spirit monopoly would have to be introduced simultaneously in both countries, under the safeguarding of our common customs. Still more is the introduction of the spirit monopoly to be recommended to Austria. For it can reckon on an increase of its revenues by 100 Millions Kronen yearly just like Hungary. And this money would come most usefully to the aid of Bohemia and Galicia which countries have a permanent deficit. Thus if Austria and Hungary from adopting only the spirit monopoly alone could realize an annual increase of 200 millions Kronen in their revenues, this fact demonstrates the extraordinary financial strength of the Monarchy: But there are other monopolies which could be introduced. For instance the Petroleum-Monopoly. This monopoly would secure to the two States an increase in their revenues of another 20 or 30 millions Kronen, annually. These sums alone would protect and arm Austria and Hungary against all financial dangers and needs.

These facts prove to every unbiassed observer and financial expert that in reality the financial situation of the Monarchy is sound, and these happy circumstances cannot in the least be altered, or still less reversed by false combinations, or ridiculous rumors of our enemies."

THE WAR LOANS OF AUSTRIA AND HUNGARY A GOLDEN RIVALRY.

Just as the soldiers of Austria and of Hungary seek to outdo one another in heroic deeds upon the battlefields, so the two states of the monarchy strove to have as large a share as possible in the financing of the war. The result of the subscription to the war loan of Hungary has reached the level of over two billions of crowns — that of Austria of over four billions, so that the two states out of their own resources have succeeded in raising for their third war loan the enormous sum of over six billion crowns. For the third time within a few months the capitalistic centres of the two countries have been compelled to undergo a severe test, and those enemies of ours who were formerly accustomed to indulge in orgies of ridicule with respect to our finances, and prophesied our exhaustion, cannot deny that we have stood the test in the most brilliant manner. Each in its own way—Austria and Hungary have reinforced their financial armament and have carried off a great and undisputed victory. Both states showed themselves actuated by that unconquerable will, that unyielding determination to maintain the equipment and the keep of the soldiers upon a lofty level, which are among the most important postulates for a final and honorable peace. They were likewise one in their firm belief that the heroic deeds of historic worth achieved by the arms of Austria-Hungary during this world-war, would in the end assure the conquest of this country's foes.

The Hungarian half of the monarchy has profited exceedingly, because of its agricultural character, from the high prices at present prevailing in this field — a rich harvest and an abundant supply of cattle permitted the farmers to obtain tremendous prices for their products, and these prices were immediately paid them in cash. It was a characteristic phenomenon that the deposits in the Hungarian financial institutions should have attained a most abnormal height, a favorable condition which is largely to be attributed to the beneficent influence exercised upon the Hungarian money market by a successful harvest. This in turn resulted in the magnificent response made to the call of the war loan by Hungarian farming interests. In contrast to most of the Entente countries there can be no doubt that both in Austria as well as in Hungary, an excellent financial organisation has seen to it that the available funds are really transferred to the treasuries of the state—and a propaganda carried on along big lines has educated wide circles in a financial sense — circles which hitherto had been accustomed to maintain a rather unfriendly attitude

towards devoting their money to investments with a fixed rate of interest. In Hungary, as in the sister state, the banks have proved themselves to be pillars of the system of credit, as true head-quarters of the entire money system—a system which, supported upon the confidence of their customers,spurred these on to magnificent endeavors.

ASTONISHING RESULTS OF THE LOAN

The first Austrian War Loan, after final competition, produced some 2200 millions in subscription, the second some 2696 millions, so that the total sum of the two first Austrian War Loans gave us a total of some 4896 millions of crowns. Since the Third War Loan has up to now produced some 4015 millions, it approaches the results which the two former War Loans have attained. The Austrian people have placed at the disposal of their government all in all some 8911 millions of crowns—to which must be added the results of the three Hungarian War Loans.

This tremendous financial feat becomes still more significant when one compares with this achievement the difficulties encountered by the hostile Quadruple Entente in its attempts to float its War Loans. Asquith himself has openly confessed to Parliament that the financial situation of England was a most serious one. England and France were compelled to go to America in order to raise upon heavy terms, a sum which does not by far approximate that raised by the Third Austrian War Loan. France was obliged to issue short term treasury certificates, and according to latest advices, the debt of the state to the Bank of France amounts to not less than 7.4 billions of Francs. Russia and Italy are in still greater financial difficulties.

In order to estimate properly the triumph of the last billion victory of the Austrian loan, it will not do to compare it superficially with the last German victory in this field. These 4 billions, — 15 millions are not the product of the entire monarchy, but merely that of the Austrian half—which has a population of some 28 millions as against the 70 millions of the German Empire. Quite apart from the vast capitalistic strength of Germany, the population of the Austrian part of the Dual Monarchy is to that of Germany as 2 to 5. So if Austria subscribes 4 billions this is as much as when Germany subscribes 10. Adding to this the results of the Hungarian Loan, and the comparison is still more striking and satisfying.

It would have been impossible to raise these immense sums from the savings that had been made between the second and third war loans. But the present, the past and the future—all contributed to the achievement of this great financial victory—so exasperating to

our enemies—the present by means of the funds which flowed back to the public from the amounts of the earlier loans—the past through the conversion of former savings stored up in banks, saving institutions, into war loan certificates—the future by subscribing such sums as are to materialise shortly, and which may be easily used for paying for war loan subscriptions. Much of this success is due to the brilliant financial genius which permitted this mobilisation of the financial resources of the empire upon so solid a basis, and secured for it so whole-hearted and generous a participation on the part of the public.

This unprecedented world-war has accustomed us to reckon in terms of millions of men and billions of money. In spite of this, one might well say that the sunniest optimist would never have ventured to predict a year ago the tremendous economic forces that dwelt within our empire—an empire which, according to the views of our enemies was "ramshackle and decaying!" This knowledge of our strength will continue to operate after the war—for the war has taught us to have more confidence in ourselves, and to put aside a too great and dangerous modesty. We may well be proud of our economic power, as of our military might.

HUNGARY AND THE WAR LOAN.

The results of the Third Hungarian War Loan exceed the fondest expectations of the patriots—arouse the joy of those who feel a deep and warm sympathy for the realm of him who wore the holy crown of St. Stephen and will prove a bitter disillusion to those rancorous enemies of ours who calculated upon an early collapse of our economic powers of resistance and had accepted that collapse as a certainty.

A people in arms has been supported, valiantly supported by those who, raising vast sums out of their fortunes, have contributed a material wonder to that martial wonder to which the valor of Hungarian arms has given birth—something of which no human soul had dreamed prior to the outbreak of this war.

The results of the Loan—a round two billion crowns,—exceed by nine hundred millions the results of the second War Loan—so that Hungary all in all has contributed to the three loans some 4.2 billions of crowns.

This is the expression of a material power of which the Hungarian people may well be proud—for it not only represents powerful evidence of the intrinsic force at the nation's heart, but also holds its own

when compared with the stupendous results attained by the German empire and our neighboring and still closer ally, Austria.

Austria has raised 8900 millions, the German Empire 26,000 millions in war loans. But the 4000 millions raised by Hungary count for more, far more, when we take into consideration the figures of population, the capitalistic wealth, the capacity for gaining and saving and the vast difference between a highly-organized industrial state and one that is primarily agricultural. The 21 million inhabitants of Hungary of whom some two millions dwell in close proximity to the war zone, and of whom another six millions live in the most modest circumstances—represent in reality, and under the most favorable circumstances, only some 12 millions from whom financial subscriptions might be expected.

The population of the German empire amounts to some 66 millions, so that we have the proportion of some 12 to 66—and as for Austria—if we deduct the poorer population of the mountain regions and those that have felt the rigors of war,—we have some 21 millions—or the proportion of some 12 to 19. Taking into account the savings funds which decrease from 20 billions to 9 billions and to 4 billions, and estimate the national wealth at 350, 120 and 80 billions, we arrive at the conclusive fact that Hungary has achieved something prodigious in the field of finance.

We are therefore forced to see in all this the wonderful spectacle of the Hungarian nation out of its own resources providing the means for defraying the costs of this most terrible of all wars, a war forced upon it by its enemies—and mobilizing a part of its fortunes, converting it into ringing metal, and thus putting itself in a position to endure the struggle to the very end—an end disastrous to its foes.

This faculty of lofty sacrifice for the sake of the threatened Fatherland is a trait common to all the allied Central Powers—it is a faculty which results in the operation of a tremendous power. In this the Central Powers offer a violent contrast to the states of the Entente—the financial ministers of which are forced to seek for help everywhere abroad. These have already seen the collapse of their financial empires and must face the bitter fact that a part of their financial power has been usurped by the coldly-calculating American republic.

We have nowhere begged for support, we have given to the state that of which it had need, and if our Third War Loan has been helped by subscriptions from other states and from neutral countries, we accept this purely as a sign of their confidence—and a friendly incitement to further endeavor.

The enemies of the Austrian-Hungarian monarchy had made our destruction their end and aim—but the monarchy will emerge from

this sruggle greater than ever, greater than ever will Hungary be after this war. That is one of the meanings contained in this impressive result of our War Loans.

Thirteen billions have been raised in Austria and Hungary, whereas wealthy France has run into debt to its national bank to the extent of 7 billions and gigantic Russia owes over 5 billions to *its* national bank. England and France have been forced to borrow from Morgan and his crew some $2^1/_2$ billions upon the most onerous conditions. Hungary in the course of a year has taken by less than $1^1/_2$ billions from its own fortune to cover state obligations, a sum equal to the 48 years of national debts that have accrued since its independence as a state, inclusive of the costs of all railway undertakings.

No great upsetting of the savings bank deposits has resulted, nor, for that matter, any particular diminution. The rate of exchange has not only not sunk, but has even to a large extent recovered from the decline at the beginning of the war. It is with great satisfaction that Hungarians may contemplate the fact that the four percent crown consols are now rated by at least 5% higher than during those first fearful days in August, 1914. English consols, on the contrary, despite all desperate endeavors of the government, despite the upward conversion, have scarcely been able to maintain the minimum price of 65.

These are facts which speak eloquently for us—and which serve to proclaim to the whole world the victory of a superb spirit of sacrifice, of the devotion to a lofty ideal, such as alone can serve to inflame a nation to the noblest and most sacred patriotism.

THE AUSTRIAN WAR LOAN EQUALS GERMANY'S.

More than four billions! A result such as the greatest expectations, the most excessive optimism, could scarcely have regarded as within the realm of probabilities!

Four billions, or milliards of crowns!—that is about equal to two-thirds of the whole taxed income of the people—and one-third of the entire income of all Austria! Yes, our people have raised four billions for the new War Loan of the nation—even though we have been warring and warred upon for over sixteen months. This is an achievement of a people's loyalty, of a high ideal of citizenship, so splendid that it will long be honored as a great deed in the annals of our people.

This magnificent success of our War Loan speaks a loud and potent language whose tones reach far beyond the confines of our

realm—and our enemies, if any reason be left in their ranks, cannot fail to recognize how strong and upright Austria-Hungary stands.

In order to obtain some comparatively correct idea of the immensity of this financial success, we can do no better than to compare it with that of the German nation—which is so indisputably richer.

Let us take the result of the last War Loan of Germany, the third, that stupendous result of over 12 billions of marks—which are equal to some 14 billions of crowns—as a basis for comparison—we cannot fail to do honor to the achievement of Austria, although Germany not only absolutely but relatively exceeds the wealth of Austria in income and taxation. And we are likewise confronted by certain very startling facts. Germany is very much richer than Austria is in direct proportion to the relative figures of population in the two states. In other words, although the population of Austria is by no means so rich as that of Germany—yet the proportionate share of subscriptions per head is as great in Austria as in Germany.

If we except Galicia and the Bukowina, the inhabitants of which naturally do not come into consideration for subscriptions to the War Loan,—and if, for the same reasons, we count the numbers of inhabitants of Trieste, Görz and Gradiska, Istria and the coastlands with one half their numbers, we have, compared to the 65 millions of the inhabitants of Germany—some 18.7 inhabitants—who are to be considered as potential subscribers to the War Loan. Comparing the results in the two countries—that of Germany with 14 billions and that of Austria (up to the present some 4 billions of crowns) we have in both cases a proportion of some 215 crowns per head of the population!

This is a note of accord between Germany and Austria which in reality signifies still more. For this agreement between the amount subscribed per head of the population, means still more with respect to the entire greatness of the success won by the Austrian loan. This is due to the simple fact that the Austrian people are by no means so rich as the German people. And the war loans of different people are not to be considered as identical even though they sign for the same amounts—for the people themselves are different in custom, nature and point of view.

Well may our people regard with pride this golden sword they have forged for the defense of their land and their liberties.

THE AUSTRO-HUNGARIAN PETROLEUM INDUSTRY.

The resumption of the normal traffic in the Austro-Hungarian crude-oil industry is taking somewhat longer than one had hoped. The damage that had been done, and the difficulties of transportation and of labor are greater than were assumed.

A commission composed of leading experts in this line met recently in order to discuss ways and means and to make the necessary arrangements. The following is a fair estimate of conditions last August, since which a considerable amelioration of conditions everywhere has ensued. Before the war there were some 425 wells in operation in the district of Boryslaw-Tustanowice — of these some 262 had been set fire to or otherwise damaged — 150 to 160 are at present at work and soon the entire number may be restored.

Borings, which take considerable time, have been made in most shafts, in order that a closer examination may be made of the kind and extent of the damage done — and as to whether it might be easily repaired or would require expensive and elaborate preparations.

Thirty percent of the crude oil in storage has been burnt, leaving some 50,000 tanks available for refining. The State supplies have been completely destroyed, leaving only the residue. The empty tanks have also been for the most part destroyed — and even tanks which had never been filled have suffered through the neglect incident to the war. Parts of the wooden covers of these reservoirs have rotted away. There is no lack of storage room. The measuring-rooms and the pumping-stations are not damaged. The government refining-works and the private refineries are in a state of good preservation. The chief damage—the removal of all transmission belts and pullies, could be made good immediately after the retaking of Lemberg—so that the works could at once be put into partial operation.

The state refineries produce no lubricating oils, but only petroleum, benzine and parafine. The parafine works have been in operation since August, the production of benzine for military purposes was undertaken at once. The state refinery working at full pressure could produce some 120 tanks of crude oil before the war. The proportion in August last was some 17 to 20 tanks per day; owing to the lack of laborers, the supplies cannot be increased rapidly, and one will have to rest content with some 80 tanks per day. Immediately after the withdrawal of the Russians, the supply ran from 60 to 70 tanks per day. Work is carried on only in those shafts which are most easily operated.

Crude oil is also being transported to other refineries in Austria-Hungary, but the excessive traffic on some of the lines in Galicia

renders this on occasion very difficult—as is also the case with the shipment of the necessary materials. The refineries which produce lubricating oils are given first preference. The plan of laying a pipe-line across the Carpathians has not been carried out. But plans are now being considered for building a pipe-line from Drohobcycz to Sambor and Chyrow, from which a double track way may be erected. The costs of this 65 kilometre long line is estimated at 1.2 millions of crowns—and it is assumed that it can be completed in four weeks. This would enable the railways to be freed from the burden of carrying oil, and permit the vast quantities of crude oil which are still stored in the reservoirs, quite apart from the fresh production, to be easily and quickly transported.

In August the price for crude oil in Drohobcycz was still as high as 11.5 crowns. Before the war it was only 6 crowns. Considering the fact that only about 30 per cent was destroyed, this price is still inordinately high. The new oil entails for its production an additional expense of 30 to 40 per cent. The price, however, is largely contingent upon the problem of transportation, and as soon as this is settled and large supplies thrown upon the market, the prices will rapidly and sensibly decline.

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